

Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 02612 01 OF 02 242131Z
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P 242103Z MAY 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 7482
ALL CANADIAN POSTS POUCH

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 02612

E.O. 11652: GDS
TAGS: PINT, CA
SUBJECT: CAN THE LIBERALS TURN AROUND THEIR POLITICAL
FORTUNES?

1. SUMMARY. LIBERAL STRATEGISTS ARE NOW ANALYZING WHAT WENT WRONG WITH THEIR GRAND POLITICAL STRATEGY OF THE PAST SIX MONTHS AND WHAT THEY MUST DO TO OVERCOME THEIR DIFFICULTIES AND IMPROVE THEIR ELECTORAL PROSPECTS. THE POOR STATE OF THE ECONOMY, THE WANING CONCERN OVER NATIONAL UNITY, AND THE TARNISHED IMAGE OF TRUDEAU AND HIS CABINET EXPLAIN IN LARGE PART THE RECENT DECLINE IN THE POPULAR STANDING OF THE LIBERALS. THE STRATEGISTS ARE CONFIDENT THAT THE PARTY CAN RECOUP ITS LOSSES, BUT WE SEE NO QUICK PANACEAS AT THE DISPOSAL OF THE LIBERALS. IN ANY CASE, HOWEVER BUMPY THE ROAD AHEAD MAY BE FOR THEM, WE SEE LITTLE PROSPECT THAT TRUDEAU HIMSELF WILL DECIDE TO STEP ASIDE AND RETIRE FROM POLITICS IN THE NEAR FUTURE. END SUMMARY.

2. THOUGH TRUDEAU DENIES THAT HE HAD EVER PLANNED TO HOLD AN ELECTION THIS SPRING OR EARLY SUMMER, IT IS AN OPEN SECRET THAT HIS STRATEGISTS HAD SUCH AN EVENT IN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 02612 01 OF 02 242131Z

MIND AS EARLY AS LAST FALL AND THAT THEY HAD CAREFULLY PREPARED A SERIES OF ACTIVITIES WHICH WOULD KEEP THE PRIME MINISTER BEFORE THE PUBLIC EYE. THESE ACTIVITIES INCLUDED: THE FIRST MINISTERS' CONFERENCE ON THE ECONOMY IN FEBRUARY; THE LIBERAL PARTY CONVENTION LATER IN FEBRUARY AT WHICH TRUDEAU MADE TWO MAJOR APPEARANCES; AND THE PRIME MINISTER'S ADDRESS TO THE ECONOMIC CLUB IN NEW YORK

CITY IN MARCH. MOST OF THESE EVENTS WERE CARRIED ON NATIONAL TELEVISION. THROUGHOUT THIS PERIOD, THE LIBERAL PARTY STRATEGISTS ALSO ENSURED THAT GOVERNMENT FUNDS WERE POURED INTO KEY RIDINGS TO ENHANCE THE ELECTORAL PROSPECTS OF THEIR CANDIDATES AND THAT THE PARTY'S ELECTORAL MACHINERY THROUGHOUT THE COUNTRY WAS OILED AND GREASED.

3. DESPITE THESE EFFORTS, A GALLUP POLL IN APRIL SHOWED A REMARKABLE TURN-AROUND IN THE FORTUNES OF THE CONSERVATIVES WITH THE LIBERALS AND TORIES EVEN AT 41 PERCENT AND THE NEW DEMOCRATS AT ONLY 14 PERCENT. TRUDEAU'S CHIEF POLITICAL ADVISORS ARE NATURALLY ASKING THEMSELVES WHAT WENT WRONG WITH THEIR GRAND STRATEGY OF THE PAST SIX MONTHS. FROM OUR CONTACTS HERE AND IN TORONTO, WE UNDERSTAND THEY HAVE REACHED SEVERAL TENTATIVE CONCLUSIONS.

4. FIRST AND MOST OBVIOUS, THE GOVERNMENT WAS BADLY HURT BY ITS APPARENT INABILITY TO OFFER SHORT-TERM SOLUTIONS TO ECONOMIC PROBLEMS, ESPECIALLY UNEMPLOYMENT. EVEN IN AREAS WHERE THERE IS NOT HIGH UNEMPLOYMENT, PEOPLE ARE STILL WORRIED ABOUT THE ECONOMY, AND MANY ARE BEING ADVERSELY EFFECTED BY THE INCREASING COST OF LIVING. FINALLY, PROBABLY NO OTHER ECONOMIC FACTOR HAS HAD A MORE NEGATIVE PSYCHOLOGICAL IMPACT ON THE VOTER THAN THE DEPRECIATION OF THE CANADIAN DOLLAR WITH RESPECT TO THE U.S. DOLLAR. AS ONE OBSERVER PUT IT, EVEN FOR THE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 02612 01 OF 02 242131Z

CANADIAN WHO DOES NOT TRAVEL ABROAD THE DECLINING VALUE OF THE DOLLAR IS VIEWED ALMOST AS A THREAT TO HIS VIRILITY.

5. A SECOND GENERAL CONCLUSION ABOUT WHAT WENT WRONG FOR THE LIBERALS IS THAT TRUDEAU HAS BEEN PERSONALLY DAMAGED BY THE WANING CONCERN OVER NATIONAL UNITY. IN THE YEAR FOLLOWING THE PQ VICTORY IN QUEBEC, THIS CONCERN WAS REAL, BUT OVER THE PAST SIX MONTHS OR SO MANY CANADIANS HAVE GROWN TIRED OF THE ISSUE. MOREOVER, A RECENT POLL SHOWING THE PQ TRAILING SLIGHTLY THE QUEBEC LIBERAL PARTY HAS TENDED TO MAKE PEOPLE MORE RELAXED--PERHAPS TOO MUCH SO--ABOUT THE SEPARATIST THREAT. THESE FACTORS HAVE CLEARLY WEAKENED THE ARGUMENT THAT TRUDEAU'S REMAINING AT THE HELM IS ESSENTIAL TO THE PRESERVATION OF NATIONAL UNITY.

6. A THIRD IMPORTANT FACTOR, WHICH ALL THE RECENT PUBLIC PACKAGING OF TRUDEAU HAS BEEN UNABLE TO OVERCOME, IS THAT THE PRESENT GOVERNMENT IS INCREASINGLY SEEN AS COMPOSED OF TIRED, UNIMAGINATIVE INDIVIDUALS WITH THEIR OWN, RATHER THAN THE COUNTRY'S, INTERESTS AT HEART. COUPLED WITH

THIS PERCEPTION, ACCORDING TO A LIBERAL STRATEGIST IN TORONTO, IS GROWING ANTI-FRENCH SENTIMENT OUTSIDE OF QUEBEC, PARTICULARLY IN ONTARIO. IN HIS VIEW, THIS BIAS HAS ALWAYS BEEN CLOSE TO THE SURFACE, BUT IT TENDED TO BE SUBMERGED WHEN THERE WERE STRONG ANGLOPHONE MINISTERS IN THE CABINET. WITH THE DEPARTURE OF JOHN TURNER, DON MACDONALD, AND MITCHELL SHARP, HOWEVER, THE GOVERNMENT APPEARS TO BE LARGELY DOMINATED BY FRANCOPHONES, AND THIS SITUATION RANKLES MANY CANADIANS. ANOTHER LIBERAL, AN MP FOR TORONTO, TOLD US THAT ANTI-FRENCH SENTIMENT IN HIS RIDING IS STRONG AND VOCAL. HIS AVERAGE CONSTITUENT BELIEVES THE TRUDEAU CABINET IS 80 PERCENT FRANCOPHONE

CONFIDENTIAL

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PAGE 01 OTTAWA 02612 02 OF 02 242132Z
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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 02612

(ACTUAL PROPORTION IS ABOUT 33 PERCENT). THESE COMMENTS COME FROM METRO TORONTO, BUT WE BELIEVE THEY ARE REPRESENTATIVE OF OTHER IMPORTANT AREAS OF ANGLOPHONE CANADA.

7. IF THIS ANALYSIS OF WHAT WENT WRONG FOR THE LIBERALS IS ESSENTIALLY CORRECT--AND WE BELIEVE IT IS--, THEN THEY MUST NOW DECIDE WHAT THEY CAN DO TO OVERCOME THESE PROBLEMS AND IMPROVE THEIR ELECTORAL PROSPECTS, EITHER FOR THIS FALL OR FOR NEXT SPRING BEFORE TRUDEAU'S MANDATE EXPIRES IN JULY 1979. IN OUR VIEW, THERE ARE NO QUICK PANACEAS FOR WHAT AILS THE LIBERALS. THE CANADIAN DOLLAR HAS CLIMBED BACK TO ABOUT 90 U.S. CENTS AND INFLATION RATES COULD WELL MODERATE OVER THE NEXT SIX MONTHS. VOTER PERCEPTION OF THE STATE OF THE ECONOMY THUS COULD IMPROVE SOMEWHAT IN THE FALL, EVEN THOUGH ECONOMIC GROWTH WILL REMAIN BELOW POTENTIAL. PROSPECTS FOR 1979 ARE NOT GOOD, AND UNEMPLOYMENT RATES WILL REMAIN HIGH. THE SIX MONTH

SALES TAX REDUCTION PUT INTO EFFECT THIS SPRING MAY WELL BE EXTENDED BEYOND THE TIME OF A POSSIBLE FALL ELECTION.

8. NATIONAL UNITY WILL REMAIN AN IMPORTANT AND DIVISIVE ISSUE, BUT NOT AS CRITICAL IN MOST PEOPLES' MINDS AS IT WAS A YEAR AGO. THE GOVERNMENT WILL SHORTLY REVEAL ITS CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 02612 02 OF 02 242132Z

PROPOSALS ON CONSTITUTIONAL REFORM, WHICH WE EXPECT WILL RELATE PRIMARILY TO LANGUAGE GUARANTEES AND TO WAYS OF MAKING THE SENATE AND THE SUPREME COURT MORE REPRESENTATIVE OF THE PROVINCES. THESE PROPOSALS, HOWEVER, WILL NOT DEAL WITH THE MORE CONTROVERSIAL QUESTION OF DISTRIBUTION OF POWER BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS. TRUDEAU'S CONSTITUTIONAL REFORM PACKAGE WILL BE THE SUBJECT OF DISCUSSION AT A FIRST MINISTERS' CONFERENCE IN SEPTEMBER. THIS EVENT WILL INEVITABLY REKINDLE INTEREST IN THE NATIONAL UNITY ISSUE, BUT GIVEN THE EGOS OF THE PREMIERS INVOLVED, IT IS UNLIKELY TO BE A ONE-MAN, TRUDEAU SHOW, AND IT IS UNLIKELY THAT THEY WILL ENDORSE HIS REFORM PACKAGE. MOREOVER, NOW THAT CLAUDE RYAN HAS BEEN CHOSEN AS LEADER OF THE QUEBEC LIBERAL PARTY, SEPARATISM IS NO LONGER GENERALLY REGARDED AS A DUEL BETWEEN TRUDEAU AND RENE LEVESQUE. IN FACT, RYAN MAY BECOME MORE OF A THORN IN THE PRIME MINISTER'S SIDE THAN LEVESQUE. IN ANY CASE, WE BELIEVE THAT THE LIBERALS WILL FIND THE NATIONAL UNITY QUESTION A DIMINISHING ASSET IN THE MONTHS AHEAD.

9. AS FOR THE TARNISHED IMAGE OF THE TRUDEAU CABINET, WE EXPECT THAT THE PRIME MINISTER WILL TRY TO GIVE IT A FACE-LIFT SOMETIME IN THE NEAR FUTURE, BUT GIVEN THE DEARTH OF TALENT IN THE LIBERAL BACK-BENCHERS, WE EXPECT THAT HE WILL ONLY BE PARTIALLY SUCCESSFUL. TRUDEAU HIMSELF WILL BE ABLE TO KEEP ALIVE HIS APPEARANCE AS AN INTERNATIONAL STATESMAN, THANKS TO THE NATO SUMMIT THIS MONTH AND THE ECONOMIC SUMMIT IN BONN IN JULY, BUT THE POLITICAL VALUE OF SUCH MEETINGS TENDS TO BE SHORT-LIVED.

10. BY NOTING THESE DIFFICULTIES FACING THE LIBERALS, WE BY NO MEANS INTEND TO SUGGEST THAT THE POLITICAL GAME IS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 02612 02 OF 02 242132Z

HOPELESS FOR THEM. CLEARLY, MANY CANADIANS STILL DOUBT THE LEADERSHIP ABILITY OF JOE CLARK, AND AT THE LAST COUNT 39 PERCENT OF THE VOTERS WERE STILL UNDECIDED ABOUT

WHICH PARTY THEY PREFERRED TO LEAD THE COUNTRY. ANY SERIOUS POLITICAL ERROR BY EITHER OF THE MAJOR PARTIES COULD TIP THE BALANCE QUICKLY. TRUDEAU'S CREDENTIALS AS AN EFFECTIVE CAMPAIGNER ARE A MATTER OF RECORD, WHILE CLARK IS STILL UNTESTED IN THE HEAT OF BATTLE. MOREOVER, IN OUR JUDGMENT, THE POLITICAL STRATEGISTS SURROUNDING TRUDEAU ARE BY IN LARGE MORE POLITICALLY SOPHISTICATED AND CAPABLE THAN JOE CLARK'S ADVISORS.

11. WHETHER THE LIBERALS CAN TURN AROUND THEIR POLITICAL FORTUNES IN THE MONTHS AHEAD REMAINS TO BE SEEN, BUT HOWEVER ROUGH THE ROAD MAY BE FOR THEM, WE CONSIDER IT HIGHLY UNLIKELY THAT TRUDEAU HIMSELF WILL CALL IT QUILTS AND RETIRE TO THE COUNTRYSIDE. IN THE PAST WEEK, SOME COMMENTATORS HAVE SPECULATED THAT HE MIGHT DO SO BECAUSE OF THE RECENT UNFAVORABLE GALLUP AND GOLDFARB POLL RESULTS AND BECAUSE OF A POSSIBILITY OF SALVAGING HIS MARRIAGE THROUGH RETIREMENT FROM POLITICS. OUR READING OF HIS CHARACTER, HOWEVER, IS THAT HE IS NOT A QUITTER AND THAT, IN FACT, HE IS OFTEN AT HIS BEST IN THE FACE OF POLITICAL ADVERSITY. MOREOVER, WE DOUBT THAT HE WOULD BE INCLINED TO STEP ASIDE FOR JOHN TURNER WHOSE NAME HAS BEEN BRUITED ABOUT AS THE MAN MOST LIKELY TO SUCCEED HIM AND FOR WHOM TRUDEAU HAS LITTLE LOVE OR AFFECTION. ONE THING IS CERTAIN, THOUGH. THE CONSERVATIVES AND NEW DEMOCRATS STRONGLY HOPE THAT TRUDEAU WILL NOT RETIRE IN THE NEAR FUTURE AS THERE IS WIDESPREAD BELIEF IN BOTH PARTIES THAT THE LIBERALS UNDER JOHN TURNER WOULD SWEEP NOT ONLY QUEBEC BUT THE REST OF CANADA AS WELL.
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